Teachers' Retirement System Plan 1

Member's Benefit Estimate Worksheet

This worksheet should answer some of your questions about how your TRS Plan 1 retirement benefit is calculated. To assist you in completing the worksheet, we included an example of "John Doe's" retirement calculation. The results of this retirement benefit estimate are only estimated benefits based on projected salary and service credit. Your actual retirement benefit may be different as it will be based on final employer reporting.

Your retirement benefit is two-part: (1.) Your annuity, which is the total of your contributions plus interest; and, (2.) your pension, which is based on the length of your Washington State Public School teaching service and your average final compensation (AFC). At retirement you have the option of withdrawing all or part of your contributions.

The highest benefit under TRS Plan 1 is 60% of AFC, based on 30 years of service credit.

You can retire from TRS Plan 1 when you meet one of the following criteria:
- 30 years of service credit regardless of age
- Age 60 or older with at least five years of service credit
- Age 55 with at least 25 years of service credit

How service credit is counted

You earn a full year of service credit if you receive compensation for at least four-fifths — 144 days — of the 180-day school year, provided that contributions have been made to TRS. You may earn a fractional year's service credit for working less than four-fifths of a fiscal year (July 1 - June 30). To calculate the fraction, divide the number of days worked by 180. No service credit will be granted for less than 20 days of service within a fiscal year.

Out-of-state service: Members who have at least five years of service in TRS may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in the calculation of your retirement benefit amount. It affects only your retirement eligibility date. However, your benefit is actuarially reduced for the years of out-of-state service credit used to make you eligible to retire.

Benefit Payment Options

MAXIMUM BENEFIT OPTION
This option provides the highest possible monthly benefit based on your total years of service credit (capped at 60% of your AFC), which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions remain in the fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death.

OPTION 1 STANDARD OPTION
This option pays you a slightly reduced benefit. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance of your contributions are paid in a lump sum to your beneficiary.

OPTION 2: JOINT AND 100 PERCENT SURVIVORSHIP (Reverts to maximum benefit if beneficiary dies first)
Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3: JOINT AND 50 PERCENT SURVIVORSHIP (Reverts to maximum benefit if beneficiary dies first)
This option also provides an actuarially reduced benefit, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4: JOINT AND 66.67 PERCENT SURVIVORSHIP (Reverts to maximum benefit if beneficiary dies first)
This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

COLA OPTION
Once you choose one of the benefit options (above), you may elect to receive an annual cost-of-living adjustment (COLA). To offset the cost of this annual adjustment, your benefit is actuarially reduced.

TRS Plan 1 Benefit Estimate

Member's Benefit Estimate Worksheet	You	John Doe
Step 1: Determine your anticipated date of retirement.		**July 1, 2010**
Step 2: Determine your total service credit years as of your anticipated date of retirement.		
2a. My current balance of TRS 1 service credit years		**25**
2b. The number of years until my anticipated retirement date:		**5**
2c. My projected service credit years at retirement: (2a + 2b = 2c)		**25+5 = 30**
Step 3: Determine the amount of your annuity. Your annuity is composed of your contributions to TRS and the interest they have earned. DRS provides this information in your annual statement which is distributed in November.		**$75,000**
Step 4: Estimate your Average Final Compensation Average Final Compensation (AFC) is the average earnings from your two consecutive fiscal years with highest salary. (July 1 - June 30)		**$54,000**
Step 5: Calculate your Maximum Benefit if you leave your annuity in the retirement fund: Under TRS Plan 1, you cannot receive a benefit in excess of 60% of your AFC.		
5a. Multiply your years of service by 2%.		**30 x .02 = .60**
5b. Multiply your AFC by the result of 5a.		**$54,000 x .60 = $32,400**
5c. Divide result of 5b by 12. (This is your maximum monthly benefit, without withdrawal of your contributions.)		**$32,400 / 12 = $2,700 per mo.**
Calculate Maximum Benefit with a withdrawal of 100% of your contributions.		
5d. Multiply the amount you withdraw by the actuarial factor from Table 1, page 5, that corresponds to your age at retirement. (In the example at right, John will be 61 at retirement). **NOTE:** When calculating benefits, TRS uses your age at the nearest birthday.		**$75,000 x .0080866 = $606.50**
5e. Subtract 5d from 5c. This is your reduced maximum monthly benefit.		**$2,700 - $606.50 = $2,093.50 per mo.**
NOTE: Under the maximum benefit, a member has the option to withdraw any portion of the annuity (contributions and interest). If the withdrawal is less than 100%, in Step 5d, simply multiply the actual amount withdrawn by the appropriate actuarial factor, then proceed to Step 5e.		**If John withdrew $20,000. $20,000 x .0080866 = $161.72 $2,700 - $161.72 = $2,538.28 per mo.**

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Step 6: Calculate your Option 1 Benefit:	You	John Doe
Unlike the Maximum Benefit, the Option 1 benefit ensures that your beneficiary will, at your death, receive any remaining contributions. With an Option 1 benefit, you may not withdraw 100% your contributions.		
6a. Complete steps 5a through 5c.		**$2,700 per mo.**
6b. Subtract the result from 5d from the amount in 6a.		**$2,700 - $606.50 = $2,093.50**
6c. Multiply the amount of contributions you do not withdraw by the actuarial factor used in 5d. (In the example at right, John only withdrew $20,000 of his total contribution of $75,000.)		**$55,000 x .0080866 = $444.76**
6d. Multiply the result of 6c by the Option 1 factor for your age at retirement found in Table 2.		**$444.76 x .971849 = $432.23**
6e. Add the result of 6b to the result of 6d and that is your Option 1 monthly benefit amount.		**$2,093.50 + $432.23 = $2,525.73**
Step 7: **Calculate your benefits under the Survivor Benefit Options** NOTE: You have the same option to withdraw all or part of your contributions when retiring under one of the survivor options. An actuarial reduction for the survivor option is taken after the reduction for the amount of contributions withdrawn (5e). The Survivor Option reduction is based on the age difference between you and your beneficiary. If your survivor dies before you, your benefit will be increased to the maximum benefit level.		
7a. **Option 2 -100% Survivor Option** (at retiree's death, named beneficiary receives a benefit equal to the retiree's benefit) Multiply the result of 5c by appropriate actuarial figure from Table 3, Survivor Benefit Options, on Page 5. *John's survivor is 2 years younger.*		**$2,700 x .888 = $2,397.60 per mo. same for beneficiary**
Option 2 with a 100% withdrawal The reduction (7a) is taken after the reduction for the withdrawal (5e).		**$2,093.50 x .888 = $1,859.03 per mo.**
7b. **Option 3 - 50% Survivor Option** (at retiree's death, named beneficiary receives a benefit equal to 50% of the retiree's benefit) Multiply the result of 5c by appropriate actuarial figure from Table 3, Survivor Benefit Options, on Page 5. *John's survivor is 2 years younger*		**$2,700.00 x .941 = $2,540.70 per mo. beneficiary : $1,270.35**
Option 3 with a 100% withdrawal The reduction (7b) is taken after the reduction for the withdrawal (5e).		**$2,093.50 x .941 = $1969.98 per mo. beneficiary: $984.99**
7c. **Option 4 - 66.67% Survivor Option** (at retiree's death, named beneficiary receives a benefit equal to 66.67% of the retiree's benefit) Multiply the result of 5c by appropriate actuarial figure from Table 3: Survivor Benefit Options on Page 5. *John's survivor is 2 years younger.*		**$2,700 x .922 = $2,489.40 per mo. beneficiary: $1,659.68**
Option 4 with a 100% withdrawal The reduction (7c) is taken after the reduction for the withdrawal (5e).		**$2,093.50 x .922 = $1930.20 per mo. survivor: $1,286.87**

TRS Plan 1 Benefit Estimate

	You	John Doe
Step 8: **Calculate the COLA Option:** If you desire, you can select an annual Cost-of-Living Adjustment which is based on the annual rise in the Consumer Price Index of Seattle. The maximum increase you can receive in one year is 3%. This COLA is in addition to automatic COLAs and Gainsharing increases. If you choose the COLA Option, your benefit under your chosen option is reduced based on the Table 4, COLA Option, on page 5. *John will be age 61 at retirement.* **NOTE:** Regardless of whether you choose the COLA Option or not, you will be eligible for an annual COLA and periodic gain-sharing payments after you have been retired for one year and are at least age 66.		**John retires under Option 2 with a 100% withdrawal.** $.7662 \times \$1,859.03 = \$1,424.39$ **per mo.**
Step 9: **Testing qualification for the Minimum Benefit.** Under TRS law you are entitled to a minimum benefit of at least $34.22 per month, for each year of service credit. The minimum benefit increases annually in July. *John has 30 years of service.*		$\$34.22 \times 30 = \$1026.60$ **per mo.** **(John's benefit exceeds the minimum benefit.)**
Using Out-of- State Service Credit to retire early You can use service credit earned in a public school retirement system in another state to qualify for retirement. The service credit cannot be used in the calculation of your benefit, and will result in a benefit reduction if it allows you to retire prior to normal retirement age. You must be vested (accumulate at least 5 years of TRS service credit) before you can use out-of-state service credit. *For the purposes of this exercise, John Doe has 20 years of service and is age 45. He elects to use 10 years of service earned in another state to qualify for retirement with 30 service credit years. John's AFC is $54,000. John's benefit is actuarially reduced for early retirement because he will retire 15 years early. With 20 years of service credit he must be at least 60. (See eligibility requirements on page 1.)* **(a.)** Calculate your benefit using only Washington State service Credit. **(b.)** If you are able to retire earlier than you could under normal eligibility rules, your benefit will be actuarially reduced. To find the reduction locate the number of years early you will be able to retire on Table 5, Early Retirement, on page 5. Multiply the monthly benefit from (a.) by the appropriate actuarial factor.		**Calculation for retirement:** $.02 \times 20 \times \$54,000 = \$21,600$ **annually** $\$21,600 / 12 = \$1,800.00$ **per mo.** **Actuarial reduction** $.27 \times \$1,800.00 = \$486.00$ **per mo**

Table 1: Annuity Withdrawal

Age at retirement	Reduction Factor
50	.0071717
51	.0072265
52	.0072858
53	.0073500
54	.0074191
55	.0074939
56	.0075749
57	.0076627
58	.0077573
59	.0078589
60	.0079685
61	.0080866
62	.0082138
63	.0083506
64	.0084970
65	.0086537
66	.0088208
67	.0090000
68	.0091921
69	.0093974
70	.0096186

Table 2: Standard Option 1

Age at Retirement	Reduction Factor (%)
50	99.1060
51	99.0237
52	98.9288
53	98.8184
54	98.6970
55	98.5566
56	98.3876
57	98.1977
58	97.9853
59	97.7388
60	97.4759
61	97.1849
62	96.8657
63	96.5199
64	96.1340
65	95.7405
66	95.3342
67	94.8664
68	94.4041
69	93.9285
70	93.3893

Table 3: Survivor Benefit Options

	Age Difference	Option 2 100%	Option 3 50%	Option 4 66.67%
Member Younger	-20	0.968	0.984	0.979
	-19	0.966	0.983	0.977
	-18	0.964	0.982	0.976
	-17	0.962	0.981	0.974
	-16	0.960	0.979	0.973
	-15	0.957	0.978	0.971
	-14	0.955	0.977	0.969
	-13	0.952	0.976	0.968
	-12	0.950	0.974	0.966
	-11	0.947	0.973	0.964
	-10	0.944	0.971	0.962
	-9	0.942	0.970	0.960
	-8	0.939	0.968	0.958
	-7	0.936	0.967	0.956
	-6	0.933	0.965	0.954
	-5	0.927	0.962	0.950
	-4	0.923	0.960	0.947
	-3	0.918	0.957	0.944
	-2	0.913	0.955	0.941
	-1	0.907	0.951	0.936
	0	0.898	0.946	0.930
Member Older	1	0.892	0.943	0.925
	2	0.888	0.941	0.922
	3	0.877	0.935	0.915
	4	0.873	0.932	0.912
	5	0.869	0.930	0.909
	6	0.858	0.924	0.901
	7	0.855	0.922	0.898
	8	0.851	0.920	0.896
	9	0.848	0.918	0.893
	10	0.845	0.916	0.891
	11	0.842	0.914	0.889
	12	0.839	0.912	0.887
	13	0.836	0.911	0.884
	14	0.824	0.904	0.875
	15	0.821	0.902	0.873
	16	0.819	0.900	0.871
	17	0.816	0.899	0.869
	18	0.814	0.897	0.868
	19	0.812	0.896	0.866
	20	0.809	0.895	0.864

Table 4: COLA Option

Age at retirement	Reduction Factor
50	0.7222
51	0.7257
52	0.7293
53	0.7331
54	0.7369
55	0.7408
56	0.7448
57	0.7489
58	0.7531
59	0.7574
60	0.7618
61	0.7662
62	0.7708
63	0.7754
64	0.7801
65	0.7849
66	0.7897
67	0.7946
68	0.7996
69	0.8046
70	0.8097

Table 5: Early Retirement

Years Early	Reduction Factor	Years Early	Reduction Factor
1.0	.92	11.0	.39
2.0	.84	12.0	.35
3.0	.76	13.0	.31
4.0	.71	14.0	.29
5.0	.66	15.0	.27
6.0	.61	16.0	.25
7.0	.56	17.0	.23
8.0	.51	18.0	.21
9.0	.47	19.0	.20
10.0	.43	20.0	.19